

ROMEO DISTRICT LIBRARY

Romeo, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type DISTRICT LIBRARY		Local Unit Name	County
<input type="checkbox"/> County	<input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other	ROMEO DISTRICT LIBRARY	MACOMB
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	
6/30/06	9/8/06	9/25/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

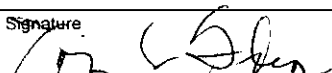
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
BUSS & COMPANY, P.C.		(586) 263-8200		
Street Address		City	State	Zip
42550 GARFIELD, SUITE 105		CLINTON TWP.	MI	48038
Authorizing CPA Signature		Printed Name		License Number
		JOHN E. GIDEON		1101007016

ROMEO DISTRICT LIBRARY
Romeo, Michigan
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INDEPENDENT AUDITOR'S REPORT

September 8, 2006

To the Board of Trustees
Romeo District Library
Romeo, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Romeo District Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Romeo District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Romeo District Library as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule on pages 3 through 4 and pages 20 through 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees
Romeo District Library
September 8, 2006
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Romeo District Library's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.


Certified Public Accountants

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ROMEO DISTRICT LIBRARY
Romeo, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, and *other supplemental information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The governmental fund financial statements include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information* and *other supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current and prior years.

	<u>2006</u>	<u>2005</u>
Current assets	\$1,872,599	\$1,473,946
Capital assets	<u>5,037,646</u>	<u>5,173,961</u>
Total Assets	<u>\$6,910,245</u>	<u>\$6,647,907</u>
Long-term debt and compensated absences	\$ 936,802	\$1,351,025
Other liabilities	<u>99,919</u>	<u>81,998</u>
Total Liabilities	<u>\$1,036,721</u>	<u>\$1,433,023</u>
Net Assets:		
Invested in capital assets, net of related debt and accrued interest	\$4,143,574	\$3,860,635
Restricted for debt service	23,618	41,613
Unrestricted	<u>1,706,332</u>	<u>1,312,636</u>
Total Net Assets	<u>\$5,873,524</u>	<u>\$5,214,884</u>
Revenue:		
Property taxes	\$2,379,366	\$2,177,943
Other	<u>201,887</u>	<u>176,681</u>
Total Revenue	<u>\$2,581,253</u>	<u>\$2,354,624</u>
Expenses - Library services	<u>1,922,613</u>	<u>1,910,534</u>
Change in Net Assets	<u>\$ 658,640</u>	<u>\$ 444,090</u>

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
June 30, 2006

The Library as a Whole

- The Library's net assets increased by \$658,640 this year. This reflects that taxpayers, current users, and other supporters of the Library have paid the full cost of operating the Library, even after depreciation and recognition of long-term obligations.
- The Library's primary source of revenue is from property taxes, which represents 92% of total revenue.
- Total expenses were 74% of total revenue for the year ended June 30, 2006. Salaries amount to approximately 44% of total expenditures. Benefits amount to 14% of total expenditures.

The Library's Fund

The Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources provided and insight into the Library's financial health. The Library's major funds consist of the General Fund and the Debt Retirement Fund.

The fund balance of the General Fund increased during the current year by \$318,407. The increase is due primarily to revenues increasing by \$206,807. The most significant increase in revenues was in property tax revenue which increased by \$181,601.

The fund balance in the Debt Retirement Fund increased by \$37,730. Millage rates are determined to ensure the Library accumulates sufficient resources to pay annual bond related debt service. The fund balance of the Debt Retirement is reserved since they can only be used to pay debt service obligations.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments were to decrease professional fees and to increase retirement.

Capital Assets

At the end of the fiscal year, the Library had \$6,674,129 invested in net capital assets, including building improvements, furniture and fixtures, equipment, and books and materials. The Library added \$186,496 of capital assets consisting of new books, various audio/visual materials, computer equipment, and office equipment and furnishings.

Debt

At the end of the year, the Library had \$885,000 in general obligation bonds outstanding versus \$1,300,000 at June 30, 2005. This represents a decrease of over 31%.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Townships and Village. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director at 65821 Van Dyke, Washington Township, Michigan 48095.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Cash and cash equivalents		\$ 147,897
Investments		1,604,664
Taxes receivable		71,592
Due from other governmental unit		48,446
Capital assets		<u>5,037,646</u>
Total Assets		<u>\$6,910,245</u>

LIABILITIES

Accounts payable and accrued liabilities		\$ 99,919
Bonds payable - Due within one year	\$435,000	
- Long-term	<u>450,000</u>	885,000
Compensated absences		<u>51,802</u>
Total Liabilities		<u>\$1,036,721</u>

NET ASSETS

Invested in capital assets, net of related debt and accrued interest		\$4,143,574
Restricted for debt service		23,618
Unrestricted		<u>1,706,332</u>
Total Net Assets		<u>\$5,873,524</u>

See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
 Romeo, Michigan
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2006

Exhibit 2

FUNCTION/PROGRAM:	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	
Governmental Activities:				
Library services/operations	<u>\$1,922,613</u>	<u>\$ 36,892</u>	<u>\$ -</u>	<u>(\$1,885,721)</u>
<u>GENERAL REVENUES:</u>				
Property taxes				\$2,379,366
State revenues and penal fines				99,242
Interest on investments				39,441
Gifts and memorials				2,860
Other miscellaneous				<u>23,452</u>
Total General Revenues				<u>\$2,544,361</u>
CHANGE IN NET ASSETS				\$ 658,640
<u>NET ASSETS:</u>				
Beginning of year				<u>5,214,884</u>
End of year				<u>\$5,873,524</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
COMPARATIVE BALANCE SHEETS
June 30, 2006 and 2005

	<u>GENERAL FUND</u>	<u>DEBT RETIREMENT FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	
			<u>2006</u>	<u>2005</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 68,572	\$ 79,325	\$ 147,897	\$ 465,683
Investments	1,604,664	-	1,604,664	895,204
Due from other funds	-	18	18	18
Suburban Library Cooperative Account	38,571	-	38,571	47,165
Taxes receivable	56,668	14,924	71,592	51,251
Due from other governmental units	<u>9,875</u>	<u>-</u>	<u>9,875</u>	<u>14,643</u>
Total Assets	<u>\$1,778,350</u>	<u>\$ 94,267</u>	<u>\$1,872,617</u>	<u>\$1,473,964</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 54,309	\$ -	\$ 54,309	\$ 30,429
Due to Debt Retirement Fund	18	-	18	18
Deferred revenue	56,668	14,924	71,592	51,251
Accrued compensated absences	<u>36,538</u>	<u>-</u>	<u>36,538</u>	<u>38,243</u>
Total Liabilities	<u>\$ 147,533</u>	<u>\$ 14,924</u>	<u>\$ 162,457</u>	<u>\$ 119,941</u>
<u>FUND BALANCES</u>				
Fund Balances:				
Unreserved:				
Designated for:				
Debt service	\$ -	\$ 79,343	\$ 79,343	\$ 41,613
Undesignated	<u>1,630,817</u>	<u>-</u>	<u>1,630,817</u>	<u>1,312,410</u>
Total Fund Balances	<u>\$1,630,817</u>	<u>\$ 79,343</u>	<u>\$1,710,160</u>	<u>\$1,354,023</u>
Total Liabilities and Fund Balances	<u>\$1,778,350</u>	<u>\$ 94,267</u>	<u>\$1,872,617</u>	<u>\$1,473,964</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
For The Year Ended June 30, 2006

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS	\$1,710,160
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

The cost of capital assets is	\$6,674,129	
Accumulated depreciation	(1,636,483)	
		5,037,646

Other assets not available to pay current period expenditures are deferred in the governmental funds	71,592
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable	(\$ 885,000)	
Compensated absences	(51,802)	
		(936,802)

Accrued interest payable on bonds is not included as a liability in the governmental funds	(9,072)
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$5,873,524</u>
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See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
Romeo, Michigan
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Years Ended June 30, 2006 and 2005

	<u>GENERAL</u> <u>FUND</u>	<u>DEBT RETIREMENT</u> <u>FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u> <u>2006</u>	<u>2005</u>
<u>REVENUES:</u>				
Property taxes	\$1,852,127	\$506,898	\$2,359,025	\$2,177,424
State revenue sharing	39,522	-	39,522	39,598
State aid	19,675	-	19,675	23,728
Penal fines	40,045	-	40,045	28,583
Book fines	29,722	-	29,722	30,832
Interest	39,441	-	39,441	21,117
Service fees	7,170	-	7,170	6,967
Centralized purchasing credit	13,121	-	13,121	9,772
Miscellaneous	10,331	-	10,331	7,359
Gifts and memorials	2,860	-	2,860	2,275
Grants	-	-	-	6,450
Total Revenues	<u>\$2,054,014</u>	<u>\$506,898</u>	<u>\$2,560,912</u>	<u>\$2,354,105</u>
<u>EXPENDITURES:</u>				
Salaries	\$ 848,052	\$ -	\$ 848,052	\$ 850,581
Payroll taxes	64,876	-	64,876	65,053
Health insurance	97,120	-	97,120	97,885
Life insurance	886	-	886	1,008
Retirement	98,129	-	98,129	97,338
Subscriptions	12,896	-	12,896	13,227
Bindery	105	-	105	356
Supplies	45,089	-	45,089	40,561
Repairs and maintenance	86,915	-	86,915	69,875
Elevator service	3,563	-	3,563	2,975
Custodial service	18,276	-	18,276	14,571
Utilities	87,761	-	87,761	77,881
Administration	13,257	-	13,257	7,656
Mileage	2,614	-	2,614	1,770
Professional services	11,677	-	11,677	42,437
Bookkeeping	2,880	-	2,880	2,760
Cooperative services	9,837	-	9,837	11,844
Reference services	25,920	-	25,920	23,132
Telephone	7,026	-	7,026	6,014
Miscellaneous	3,009	-	3,009	2,849
Public relations and advertising	6,869	-	6,869	5,327

(Continued)

ROMEO DISTRICT LIBRARY
 Romeo, Michigan
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED
GOVERNMENTAL FUNDS
 For The Years Ended June 30, 2006 and 2005

	<u>GENERAL FUND</u>	<u>DEBT RETIREMENT FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS 2006</u>	<u>2005</u>
<u>EXPENDITURES:</u> (Continued)				
Special programs	\$ 7,425	\$ -	\$ 7,425	\$ 9,360
Insurance	17,077	-	17,077	15,790
Computer services	65,304	-	65,304	62,639
Tax refunds	1,818	496	2,314	377
Capital outlay:				
Books	113,742	-	113,742	131,248
Audio-visual	34,141	-	34,141	29,211
Equipment	46,294	-	46,294	27,894
Building and furnishings	3,049	-	3,049	103,417
Debt service:				
Principal	-	415,000	415,000	395,000
Interest	-	53,300	53,300	69,495
Miscellaneous	-	372	372	391
	<u>\$1,735,607</u>	<u>\$469,168</u>	<u>\$2,204,775</u>	<u>\$2,279,922</u>
Total Expenditures				
	<u>\$1,735,607</u>	<u>\$469,168</u>	<u>\$2,204,775</u>	<u>\$2,279,922</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 318,407	\$ 37,730	\$ 356,137	\$ 74,183
FUND BALANCE - JULY 1	<u>1,312,410</u>	<u>41,613</u>	<u>1,354,023</u>	<u>1,279,840</u>
FUND BALANCE - JUNE 30	<u>\$1,630,817</u>	<u>\$ 79,343</u>	<u>\$1,710,160</u>	<u>\$1,354,023</u>

See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
Romeo, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS	\$356,137
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense

Depreciation expense	(\$322,811)	
Capital outlay	<u>186,496</u>	
		(136,315)

Revenue reported in the statement of activities that does not provide financial resources and are deferred in the governmental funds

Deferred revenue - Beginning	(\$ 51,251)	
Deferred revenue - Ending	<u>71,592</u>	
		20,341

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities

415,000

Increases in compensated absences are reported as expenditures when the financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6

(777)

Accrued interest on bonds is an expenditure in the statement of activities; it is not reported in the governmental funds until paid

Accrued interest payable - Beginning	\$ 13,326	
Accrued interest payable - Ending	<u>(9,072)</u>	
		<u>4,254</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$658,640</u>
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See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Romeo District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Romeo District Library operates under the authority of P.A. 24 of the Michigan P.A. of 1989 as amended. The Library's major support is from property taxes levied in the Village of Romeo, Township of Washington and Township of Bruce. The Library is governed by a six member appointed Board of Trustees. There are no component units as defined by generally accepted accounting principles that are required to be presented in the financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt and accrued interest; restricted for debt service; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

Fund Financial Statements (Continued)

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for funds used to repay principal and interest on outstanding debt.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments

The Library is authorized by state statutes to invest surplus funds in U.S. bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investments. During the year ended June 30, 2006, the Library invested in certificates of deposits, commercial paper, and investment pools.

Receivables and Payables

Property taxes are levied on each December 1st on the taxable value of property as of the preceding December 31. Taxes are considered delinquent if not paid by February 28 of the following year.

The 2006 taxable valuation of the Library totals approximately \$1.5 billion, on which ad valorem taxes levied consisted of 1.1691 mills for Library operations, raising \$1,852,127 for Library operating purposes. An additional .32 mills is levied for debt retirement, raising \$506,898 for debt retirement. This amount is recognized in the financial statements as property tax revenue.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years - 10% salvage value
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	5-7 years
Computer equipment	3 years

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Compensated Absences

Vacation leave accrues at various rates depending on job classification and length of service. For most employees vacation does not accumulate beyond the calendar year. At June 30, 2006 a liability has been recorded for vested unused vacation pay and the related payroll taxes.

Sick leave accrues at the rate of eight hours per month for full time employees. Part time employees earn accruals on a pro rata basis determined by the time they work. The Library's policy provides for unlimited accumulation; however, at termination of employment, payment will be made for only 30 days of accumulated sick leave. All sick pay is accrued as earned in the government-wide (accrual basis) financial statements. A liability for these amounts is reported in the governmental funds only for employees who have terminated as of year end.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the General Fund. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end. State law does not require that a budget be adopted for the Debt Retirement Fund.

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2006, the Library incurred expenditures in certain budgeted line items which were in excess of the amounts appropriated as follows:

	<u>BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>BUDGET</u> <u>VARIANCE</u>
Retirement	\$ 97,138	\$ 98,129	\$ 991
Repairs and maintenance	78,794	86,915	8,121
Utilities	87,204	87,761	557
Miscellaneous	2,500	3,009	509
Capital outlay - Equipment	45,143	46,294	1,151

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

State statutes authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

The Library's cash and cash equivalents and investments are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Deposits (Checking accounts, savings accounts, certificates of deposit and money market accounts)	\$1,351,081
Investments in securities, mutual funds and similar vehicles	<u>401,480</u>
	<u>\$1,752,561</u>

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 147,897
Investments	<u>1,604,664</u>
	<u>\$1,752,561</u>

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Year Ended June 30, 2006

A. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2006, the Library had the following investments:

<u>INVESTMENTS</u>	<u>S & P RATING</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>
Commercial Paper - General Electric Capital Corp.	A1	8/14/06	\$202,980
Commercial Paper - General Electric Capital Corp.	A1	9/13/06	<u>198,500</u>
			<u>\$401,480</u>

Credit Risk - The Library's investments are limited by state statutes. The Library has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$126,812 of the Library's bank balance of \$1,329,996 was exposed to custodial risk as follows:

<u>DEPOSITS</u>	<u>INSURED (FDIC)</u>	<u>UNINSURED AND UNCOLLATERALIZED</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Demand Deposits	\$126,812	\$ -	\$ 147,897	\$ 126,812
Money market	<u>-</u>	<u>1,203,184</u>	<u>1,203,184</u>	<u>1,203,184</u>
	<u>\$126,812</u>	<u>\$1,203,184</u>	<u>\$1,351,081</u>	<u>\$1,329,996</u>

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

B. CAPITAL ASSETS

Capital asset activity of the Library was as follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DISPOSALS AND</u> <u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
Assets not being depreciated:				
Land and land improvements	\$ 236,733	\$ -	\$ -	\$ 236,733
Capital assets being depreciated:				
Buildings and improvements	\$4,703,663	\$ -	\$ -	\$4,703,663
Furnishings	484,724	3,049	-	487,773
Office and computer equipment	179,931	35,564	1,132	214,363
Library collection	979,698	147,883	95,984	1,031,597
Subtotal	<u>\$6,348,016</u>	<u>\$186,496</u>	<u>\$ 97,116</u>	<u>\$6,437,396</u>
Accumulated depreciation:				
Buildings and improvements	\$ 398,548	\$ 81,858	\$ -	\$ 480,406
Furnishings	370,872	75,406	-	446,278
Office and computer equipment	128,151	27,379	1,132	154,398
Library collection	513,217	138,168	95,984	555,401
Subtotal	<u>\$1,410,788</u>	<u>\$322,811</u>	<u>\$ 97,116</u>	<u>\$1,636,483</u>
Net capital assets being depreciated	<u>\$4,937,228</u>	<u>(\$136,315)</u>	<u>\$ -</u>	<u>\$4,800,913</u>
Net Capital Assets	<u>\$5,173,961</u>	<u>(\$136,315)</u>	<u>\$ -</u>	<u>\$5,037,646</u>

C. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2006:

	<u>BALANCE</u> <u>7/1/05</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/06</u>	<u>DUE IN</u> <u>ONE YEAR</u>
Bonds payable	\$1,300,000	\$ -	\$415,000	\$885,000	\$435,000
Compensated absences	51,025	777	-	51,802	-
	<u>\$1,351,025</u>	<u>\$ 777</u>	<u>\$415,000</u>	<u>\$936,802</u>	<u>\$435,000</u>

Bonds Payable

Bonds payable consists of the 1998 Library Building and Site Bonds totalling \$885,000, due in annual installments ranging from \$435,000 to \$450,000 from April 1, 2007 to April 1, 2008. The interest rate on the bonds is 4.10%. Interest is payable semi-annually on April 1 and October 1. Refer to Schedules No. 3 and 4 for additional information.

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

PENSION PLAN

Plan Description

The Library participates in the Municipal Employees' Retirement System of Michigan "MERS" which is an agent multiple-employer, state-wide public employee pension plan. The defined benefit plan adopted by the Library provides retirement and disability benefits and death benefits to plan members and beneficiaries. Pursuant to Public Act 220 of 1996, MERS is an independent public corporation which is an instrumentality of the participating municipalities. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the statewide plan. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy

Covered employees are required to contribute 2% of their salary to MERS. The Library is required to contribute at an actuarially determined rate. The contribution requirement of plan members and the Library are actuarially determined and based upon the benefit program selected by the Library.

Annual Pension Cost

For the year ended June 30, 2006, the Library's annual pension cost was equal to the Library's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an investment yield of 8%, (b) projected salary increases of 4.5% per year compounded annually (c) additional projected salary increases of 0.0% to 8.40% per year depending on age attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year after retirement. Unfunded actuarial liabilities are amortized by level percent of payroll contributions over a period of 30 years.

Three year trend information.

<u>FISCAL YEAR</u> <u>FUNDING</u>	<u>ANNUAL PENSION</u> <u>COST (APC)</u>	<u>PERCENT OF APC</u> <u>CONTRIBUTED</u>	<u>NET PENSION</u> <u>OBLIGATION</u>
6/30/04	\$ 93,204	100%	\$ -
6/30/05	97,338	100%	-
6/30/06	98,129	100%	-

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2006

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

VI. PRIOR PERIOD COMPARATIVE FINANCIAL INFORMATION

The governmental fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

VII. CONTINGENCY

The Michigan Supreme Court has instructed the Michigan Tax Tribunal to consider the petition for refund of a major taxpayer of Bruce Township relating to 1999, 2000 and 2001. The result of this petition may be significant to the financial statement of Romeo District Library. At the date of this report, the outcome of this petition, as well as the amount of the potential liability were uncertain.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

ROMEO DISTRICT LIBRARY
Romeo, Michigan
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2006

Schedule No. 1
 Page 1 of 2

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<u>REVENUES:</u>				
Property taxes	\$1,866,181	\$1,866,181	\$1,852,127	(\$ 14,054)
State revenue sharing	38,900	38,900	39,522	622
State aid	21,382	21,382	19,675	(1,707)
Penal fines	23,000	23,000	40,045	17,045
Book fines	30,000	30,000	29,722	(278)
Interest	8,000	8,000	39,441	31,441
Service fees	4,000	4,000	7,170	3,170
Centralized purchasing credit	9,000	9,000	13,121	4,121
Miscellaneous	2,000	2,000	10,331	8,331
Gifts and memorials	600	950	2,860	1,910
Total Revenues	<u>\$2,003,063</u>	<u>\$2,003,413</u>	<u>\$2,054,014</u>	<u>\$ 50,601</u>
<u>EXPENDITURES:</u>				
Salaries	\$ 855,930	\$ 855,930	\$ 848,052	\$ 7,878
Payroll taxes	65,478	65,479	64,876	603
Health insurance	101,890	101,890	97,120	4,770
Life insurance	2,000	2,000	886	1,114
Retirement	75,768	97,138	98,129	(991)
Subscriptions	15,000	15,000	12,896	2,104
Bindery	500	500	105	395
Supplies	48,000	48,000	45,089	2,911
Repairs and maintenance	75,000	78,794	86,915	(8,121)
Elevator service	2,800	3,563	3,563	-
Custodial service	19,000	19,000	18,276	724
Utilities	87,000	87,204	87,761	(557)
Administration	10,000	15,000	13,257	1,743
Mileage	3,000	3,000	2,614	386
Professional fees	40,000	21,438	11,677	9,761
Bookkeeping	2,880	2,880	2,880	-
Cooperative service	10,691	10,825	9,837	988
Reference services	28,000	28,000	25,920	2,080
Telephone	8,000	8,000	7,026	974
Miscellaneous	2,500	2,500	3,009	(509)
Public relations	7,500	7,500	6,869	631
Special programs	10,500	10,500	7,425	3,075

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
BUDGETARY COMPARISON SCHEDULE, CONTINUED
GENERAL FUND
For The Year Ended June 30, 2006

Schedule No. 1
 Page 2 of 2

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<u>EXPENDITURES:</u> (Continued)				
Insurance	\$ 20,000	\$ 20,000	\$ 17,077	\$ 2,923
Computer services	69,000	69,000	65,304	3,696
Tax refunds	2,000	2,000	1,818	182
Capital outlay:				
Books	150,000	138,000	113,742	24,258
Audio-visual	35,000	35,000	34,141	859
Equipment	40,000	45,143	46,294	(1,151)
Buildings and furnishings	50,000	50,000	3,049	46,951
Contingency	<u>165,626</u>	<u>159,779</u>	<u>-</u>	<u>159,779</u>
 Total Expenditures	 <u>\$2,003,063</u>	 <u>\$2,003,063</u>	 <u>\$1,735,607</u>	 <u>\$267,456</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>\$ -</u>	 <u>\$ 350</u>	 <u>\$ 318,407</u>	 <u>\$318,057</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF INSURANCE IN FORCE
June 30, 2006

<u>INSURANCE COMPANY</u>		<u>TYPE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>T E R M</u>	
				<u>FROM</u>	<u>TO</u>
American Economy Insurance Company	*	Fire, lightning & E.C. Building			
		107 Church Street, Romeo, Michigan	\$ 847,800		
		65821 Van Dyke, Washington, Michigan	4,369,200		
	*	Personal property			
		107 Church Street, Romeo, Michigan	318,740		
		65821 Van Dyke, Washington, Michigan	1,169,650		
		Commercial General Liability	\$1,000,000 general aggregate		
		Products - Completed Operations	\$1,000,000 aggregate limit		
		Personal Injury/Advertising	\$1,000,000 any one person		
		Nonowned Auto & Hired Auto	1,000,000		
		Theft, disappearance and destruction	2,000		
		Employee Benefit Liability	\$2,000,000 aggregate benefit		
	**	Inland Marine	50,780	6/25/06	6/25/07
Great American Insurance Companies		Officers and Directors Liability	\$1,000,000 per year	10/31/05	10/31/06
			\$5,000 retention each claim		
SAFECO		Standard Workers Compensation	State Law	7/20/05	7/20/06

* \$10,000 deductible and 90% co-insurance clause on building and contents at both locations.

** Includes Mechanical Breakdown Coverage - \$1,000 deductible

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF BONDS PAYABLE
June 30, 2006

1998 LIBRARY BUILDING AND SITE BONDS
(Interest Due Semi-Annually, April 1 and October 1)

<u>MATURITY</u> <u>DATE</u> <u>APRIL 1</u>	<u>INTEREST</u> <u>RATE</u>	<u>AMOUNT</u> <u>MATURING</u> <u>ANNUALLY</u>	<u>PRINCIPAL</u> <u>OUTSTANDING</u> <u>JUNE 30</u>
2007	4.10%	\$435,000	\$435,000
2008	4.10%	450,000	<u>450,000</u>
Total			<u>\$885,000</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF BOND INDEBTEDNESS
(PRINCIPAL AND INTEREST)
June 30, 2006

1998 LIBRARY BUILDING AND SITE BONDS

<u>YEAR ENDED</u> <u>JUNE 30</u>	<u>INTEREST</u> <u>DUE</u> <u>OCTOBER 1</u>	<u>INTEREST</u> <u>DUE</u> <u>APRIL 1</u>	<u>PRINCIPAL</u> <u>DUE</u> <u>APRIL 1</u>	<u>TOTAL</u> <u>PRINCIPAL</u> <u>AND</u> <u>INTEREST</u>
2007	\$ 18,142	\$ 18,143	\$435,000	\$471,285
2008	<u>9,225</u>	<u>9,225</u>	<u>450,000</u>	<u>468,450</u>
Totals	<u>\$ 27,367</u>	<u>\$ 27,368</u>	<u>\$885,000</u>	<u>\$939,735</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF PENSION FUNDING PROGRESS
June 30, 2006

<u>ACTUARIAL</u> <u>VALUATION</u> <u>DATE</u> <u>DECEMBER 31</u>	<u>ACTUARIAL</u> <u>VALUE OF</u> <u>ASSETS</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITIES</u> <u>(AAL)</u>	<u>UNFUNDED</u> <u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u> <u>UAAL</u>	<u>FUNDED</u> <u>RATIO</u>	<u>COVERED</u> <u>PAYROLL</u>	<u>UAAL AS A</u> <u>PERCENTAGE OF</u> <u>COVERED</u> <u>PAYROLL</u>
	(a)	(b)	(b - a)	(a/b)	(c)	((b-a)/c)
1997	\$ 289,088	\$ 720,218	\$431,130	40%	\$370,204	116%
1998	358,082	867,862	509,780	41%	418,729	122%
1999	446,739	960,092	513,353	47%	452,132	114%
2000	546,640	1,093,412	546,772	50%	543,126	101%
2001	677,360	1,203,741	526,381	56%	698,529	75%
2002	820,946	1,373,488	552,542	60%	716,490	77%
2003	990,849	1,556,669	565,820	64%	631,155	90%
2004	1,140,253	1,649,340	509,087	69%	626,521	81%
2005	1,242,879	1,925,504	682,625	65%	514,169	133%

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

Certified Public Accountants
42550 Garfield, Suite 105
Clinton Township, Michigan 48038

Telephone (586) 263-8200
Facsimile (586) 263-8329

Gerald H. Dryer, C.P.A.
Paul K. Burback, C.P.A.
John E. Gideon, C.P.A.
Thomas J. Thomas, C.P.A.
Joseph M. Brandenburg, C.P.A.
Randy A. Carlier, C.P.A.

MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

September 8, 2006

To the Board of Trustees
Romeo District Library
Romeo, Michigan

Re: Comments and recommendations in conjunction with
annual audit for the year ended June 30, 2006

Board Members:

We have audited the financial statements of the Romeo District Library for the year ended June 30, 2006 and have issued our report thereon dated September 8, 2006. Included within the purview of the audit is the requirement under Public Act 2, P.A. of 1968, as amended, that we review current internal controls and procedures and report on the results of comments and recommendations of the prior year.

Budgets

The Library has established an effective budgeting process which is used to control expenditures. We have reviewed the budgets for compliance with the Uniform Budgeting and Accounting Act P.A. 621 of 1978. The act requires that expenditures in a specific appropriations account beyond the amount of the original budget (general appropriations act), be approved by the Board with a transfer or supplemental appropriation. During the year ended June 30, 2006, the expenditures for certain accounts exceeded the budget amounts approved by the Board (See Note IIB. for details). Total expenditures for the year were \$267,456 less than the final budgeted expenditures.

Cash Disbursements

Based on recommendations we made in the prior year, the Library has re-evaluated and made improvements to the cash disbursement procedures. The Library has implemented procedures that improve the supporting documentation for cash disbursements and management approval is clearly indicated.

Contingency

The Michigan Supreme Court has instructed the Michigan Tax Tribunal to consider the petition for refund of a major taxpayer of Bruce Township relating to 1999, 2000 and 2001. The result of this petition may be significant to the financial statements of Romeo District Library. At the date of this report, the outcome of this petition, as well as the amount of the potential liability were uncertain.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Romeo District Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We would like to thank the Library staff for the courtesy and cooperation that we received during the audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in black ink that reads "Buss & Company, P.C." in a cursive, stylized font.

Certified Public Accountants